State of Washington

Department of Labor and Industries

Decision Package

Decision Package Code/Title:	MN	Medical Provider Network
Budget Period	FY 12	Supplemental Budget
Budget Level	PL	Policy/Performance Level

Recommendation Summary

The 2011 legislature enacted workers' compensation reform which included the development of a new health care provider network to treat injured workers. Providers who meet minimum standards are accepted into the network and must agree to follow Labor and Industries (L&I) evidence-based coverage decisions, treatment guidelines, and policies. In early 2012 L&I will begin to review provider qualifications.

L&I anticipated using the new state centralized database of provider credentials initiated by the Office of the Insurance Commissioner (OIC) and established in RCW 48.165.035. Delays in implementation of the OIC initiative, and current low participation from medical providers, make it impossible for L&I to build a robust provider network relying only on this centralized state database for collecting and verifying provider information. In order to launch the medical provider network by January 2013, as required by law, L&I needs additional staff to address the unanticipated workload associated with credentialing health care providers.

Fiscal Detail

Change to Agency' Staff and Expenditures:

	FY 2012	FY 2013	TOTAL
Staffing:			
608-1 Accident Fund-State	0.0	0.0	0.0
609-1 Medical Aid Fund-State	4.2	7.3	5.8
TOTAL FTEs	**4.2**	**7.3**	**5.8**

	FY 2012	FY 2013	TOTAL
Operating Expenditures:			
608-1 Accident Fund-State	0	0	0
609-1 Medical Aid Fund-State	353,000	467,000	820,000
TOTAL Expenditures	**353,000**	**467,000**	**820,000**

Change to Revenue:

	FY 2012	FY 2013	TOTAL
Revenue:			
Fund/Major Group/Source	0	0	0
TOTAL Revenue	**0**	**0**	**0**

Total Net Impact:

	FY 2012	FY 2013	TOTAL
Expenditures - (Recoveries + Revenue + Non Appropriated Fund Savings):			
Fund/Major Group/Source	0	0	0
TOTAL	**0**	**0**	**0**

Package Description

What is the problem or opportunity the agency wants to address?

The state Industrial Insurance Program provides medical and other benefits to workers who suffer a work-related injury or develop an occupational disease. An injured worker can see the medical professional of his or her choice who is qualified to treat the injury. Reform legislation enacted in the 2011 session, directs Labor and Industries (L&I) to establish a health care provider network to treat injured workers. The health care initiatives in the new law are expected to save an estimated $164 million in the first four years by allowing L&I to set standards for medical providers who treat injured workers. L&I will implement these standards by reviewing qualifications of medical providers, accepting them into a medical provider network, and overseeing that network.

The appropriation received by L&I to implement the health care provider network assumed, by late 2011, most medical providers in Washington State would be submitting credentialing information to health payers through a new centralized credentialing database as required in RCW 48.165.035 and administered by the Office of the Insurance Commissioner. This new

centralized credentialing database would include verified information on providers' qualifications, history of malpractice claims, and other information from publicly available sources that health plans use to review providers who want to join their networks. This new credentialing database was planned to be fully operational by mid-2011.

Delays in the implementation by the vendor chosen to develop the database will make it impossible for L&I to get the full benefit of a centralized credentialing database in developing the new L&I health care provider network. L&I expects to recruit and process network applications from 10,000 to 20,000 providers in the next year. Because the new credentialing database will not be available we must obtain and verify information from providers by other means in order to build a robust health care provider network, maintain injured workers' access to care, and meet our target of launching the network by January 2013.

During the 2011 legislative session, we estimated that L&I would save $164 million in the first four years by cutting off treatment from poorly qualified providers or providers who deliver harmful care. These savings assumed a January 2013 launch for the network.

Exactly how does the agency want to address this problem or opportunity?

L&I is requesting additional staff to collect and verify information submitted by medical providers applying to join the L&I network. Once the centralized state credentialing database is fully operational we intend to utilize it.

What will the package funding actually buy?

The package funds six one-year project positions, plus three permanent positions.

The nine positions are needed from February 2012 through January 2013 to address the heavy volume of provider applications leading up to the network launch. During this period, L&I will review applications from physicians, chiropractors, naturopathic physicians, podiatrists, dentists, optometrists, advanced registered nurse practitioners, and physician assistants, to determine if their qualifications meet network standards. L&I currently has 21,000 active providers in these

categories. However the majority of these treat minimal numbers of injured workers, so we anticipate that roughly half (around 10,000 providers) will apply to the L&I network prior to January 2013.

The nine requested positions (see one-time costs and functions chart on page 10) will enter and verify information submitted by approximately 7,500 (or 75 percent) of these providers. Qualifications of the other 25 percent of providers will either (1) be reviewed through "delegated" credentialing contracts with major clinics or provider organizations; or (2) automatically be downloaded and verified through ProviderSource (centralized state database that health payers and hospitals use to get information on providers' qualifications, and includes software for submitting, verifying, and downloading provider records). The 7,500 applications that need to be entered and verified by L&I staff are from providers who submit copies of their credentialing information directly to L&I, and who practice independently or in clinics that do not contract to credential providers on L&I's behalf.

We estimate approximately 2.2 hours per provider application for data entry, follow up and verification, based on information from another health carrier that manages a large provider network. For 7,500 provider applications, this equates to around nine positions. About one third of the workload for processing initial applications is composed of clerical tasks such as updating provider accounts and entering data from applications, while two thirds will require additional skills for determining whether the provider meets the required standards and using other data sources to collect and verify the data submitted. As a result, the nine positions for the first year include:

- Three Office Assistant 3s (project positions). These employees will enter data to track FAXed or paper applications, update provider accounts, follow up on missing or incomplete information, and document decisions on whether providers meet criteria for participating in the L&I network.
- Six Customer Service Specialist 2s (three project positions and three permanent positions). These employees will review completed provider applications and use

online sources to verify information submitted by the provider – for example licensure, Drug Enforcement Agency (DEA) registration, the provider's National Provider Identifier (NPI), Medicare/Medicaid sanctions, malpractice insurance, and malpractice claims history.

Three of the Customer Service Specialist 2 are permanent positions. Contrary to initial information, we now understand that some fields such as malpractice claims history will not be automatically verified by the centralized credentialing database. Ongoing positions will be needed to verify these fields by querying other data sources, even when providers use ProviderSource. Going forward, we plan to review and verify each network provider's information at least every three years. There will also be new providers applying to join the network after the initial launch. In future years, we also plan to more fully address the goals of the new law establishing the health care provider network by implementing standards for ancillary provider types that will not be reviewed prior to the January 2013 network launch – such as physical/occupational therapists and interpreters.

Does this proposal require IT development or services?

This decision package does not include IT development or services. Funds for implementation of the new law establishing the health care provider network included IT resources related to the medical provider network approved in the 2010 session.

Does this proposal require User Centered Design?

None.

Narrative Justification

What desired results will be achieved?

Because the new centralized state credentialing database will not be available L&I must obtain and verify information from providers by other means in order to build a robust health care provider network, maintain injured workers' access to care, and meet our target of launching the

new provider network by January 2013. Additional staff resources will allow L&I to collect and verify information submitted by health care providers applying to join the L&I network.

What undesired results will be reduced?

The proposed industrial insurance premium for 2012 is based on significant savings from the implementation of the health care provider network. If we do not have needed staff to process provider applications we will quickly see a large backlog of applications we are not able to process. A delay credentialing providers results in fewer medical providers from which injured workers may choose. We also will not have the capacity to answer questions from providers, employers, and injured workers about whether a provider will be in the network and allowed to treat injured workers after January 1, 2013. Our inability to provide this level of customer service will delay medical treatment for injured workers which is a highly visible, core function of a workers' compensation program. Inadequate staffing will not allow us to launch a network that maintains access to care from a broad range of provider specialties in all regions of the state nor save the dollars expected by employers, injured workers and stakeholders.

Will efficiency increase and if so, how?

Poor quality care and inappropriate medical treatments are having a significant impact on health outcomes for injured workers and L&I costs. The potential savings from removing poorly qualified providers are much larger than the costs of the administration for managing the provider network.

Will outputs change and if so, how?

Yes, implementing standards for medical providers who treat injured workers will reduce disability and improve health outcomes.

Impact Statement

What is the expected impact on clients, services provided, citizens or other agencies or governments?

Medical providers will be directly impacted if L&I does not have adequate staff to process network applications. There could be delays in their ability to continue treating injured workers, with an impact on their income. Injured workers will also be impacted if they are unable to get treatment from qualified providers or choose the provider they want because L&I has backlogs of applications.

What alternatives were explored by the agency, and why was this alternative chosen?

One option would be for L&I to build its own web-based provider application, and require medical providers to enter their information online. This option was not selected because of the one-time programming cost for an application that would likely only be used for a short time, until the centralized credentialing state database is more fully developed. Also, it would be unpopular with providers who would have to re-key information into an online form used only by L&I (current paper credentialing application is more than 16 pages long with hundreds of data fields). We could have trouble recruiting providers due to the additional administrative work involved for them in applying.

Another option would be to contract with a credentialing verification organization (CVO) for this work. Based on rates for similar contracts, we estimate that a CVO contract to process 7,500 provider applications would cost approximately $750,000. Including costs for administering the contract as well one-time programming to integrate a data feed from the CVO into L&I systems, this option would be more expensive than the cost of the nine positions for one-year.

What are the consequences of not funding this package?

A consequence of not funding this package is a delay in the launch of the medical provider network. However, this means that L&I would not achieve the projected savings from the implementation of the new law and increases the risk of higher workers' compensation rates for employers. Self-insured employers' costs will also be impacted, since they will also use L&I's

medical provider network and their injured workers must choose from the same medical providers who can treat State Fund workers.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

N/A.

Performance Measure Detail

Does this decision package rate as a high priority in the Priorities of Government process and make key contributions to statewide results? If so, please describe.

By reducing disability related to workplace injuries, and reducing workers' compensation costs for Washington businesses, implementation of the medical provider network directly supports the following Priority of Government initiative: "Improve economic vitality of businesses and individuals." In recent years, rising workers' compensation rates have been a major challenge for businesses, especially during this economic downturn.

Does this decision package make key contributions to State Initiatives? If so, please describe.

The medical provider network was a major component of the workers' compensation reforms that Governor Gregoire proposed to the 2011 Legislature. SSB 5801 grew of an agreement between business and labor representatives on an interim committee tasked by the Governor with recommending ways to improve our workers' compensation programs and reduce costs. The medical provider network was one of the few recommendations supported by both business and labor representatives on the interim committee.

Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.

Yes, L&I's 2011-2013 strategic plan includes a clear objective of implementing the medical provider network by January 2013. The medical provider network is a key initiative under the following broader strategy: "Ensure delivery of effective health care treatment and access to quality providers to prevent disability."

Please provide at least one performance measure that quantifies the success of this proposal.

The proposal supports the key performance measure of reviewing 100 percent of medical providers by January 2013, to ensure they meet network standards.

The proposal also supports measures related to dollar savings from the implementation of the medical provider network, as well as measures related to injured workers' access to care. We have estimated that the medical provider network will save $164 million in the first four years, by reducing time-loss payments and medical costs associated with poorly qualified providers and inappropriate treatment. On access to care, we intend to build a robust provider network so that more than 99 percent of injured workers live within 15 radius miles of five or more network providers.

What are the other important connections or impacts related to this proposal?

This proposal impacts medical care for injured workers employed by self-insured employers, as well as those covered by the State Fund. Also, customer service for injured workers, employers, and providers will be negatively impacted if L&I implements the medical provider network without adequate resources.

Expenditure Calculations and Assumptions

	FY 2012	FY 2013	TOTAL Biennium	Biennium 2013-2015	Biennium 2015-2017	TOTAL
FTEs - Direct	3.8	6.5	**5.2**	3.0	3.0	**3.7**
FTEs - Indirect	0.4	0.8	**0.6**	0.4	0.4	**0.5**
Objects of Expenditure:						
A - Salary and Wages	133,725	233,160	**366,885**	220,536	220,536	**807,957**
Indirect FTE Salary	15,847	27,478	**43,325**	25,792	25,792	**94,909**
B - Employee Benefits	44,027	77,337	**121,364**	72,794	72,794	**266,952**
Indirect FTE Benefits	7,683	13,321	**21,004**	12,504	12,504	**46,012**
C - Contracts	0	0	**0**	0	0	**0**
E - Goods and Services	96,143	112,974	**209,117**	103,854	103,854	**416,825**
AG Costs	0	0	**0**	0	0	**0**
G - Travel	1,575	2,730	**4,305**	2,520	2,520	**9,345**
J - Capital Outlays	54,000	0	**54,000**	0	0	**54,000**
TOTAL Expenditures	**353,000**	**467,000**	**820,000**	**438,000**	**438,000**	**1,696,000**
Funds:						
001 - General Fund	0	0	**0**	0	0	**0**
01F - CVC Account	0	0	**0**	0	0	**0**
095 - Electrical	0	0	**0**	0	0	**0**
608 - Accident Account	0	0	**0**	0	0	**0**
609 - Medical Aid Account	353,000	467,000	**820,000**	438,000	438,000	**1,696,000**
Other	0	0	**0**	0	0	**0**
TOTAL Funds	**353,000**	**467,000**	**820,000**	**438,000**	**438,000**	**1,696,000**

The amount included in this decision package for indirect is:

	FY 2012	FY 2013	TOTAL Biennium	Biennium 2013-2015	Biennium 2015-2017	TOTAL
Fund Name, Fund #						
608 – Accident Account			0			0
609 – Medical Aid Account	23,530	40,799	64,329	38,296	38,296	140,921
Total	**$23,530**	**$40,799**	**$64,329**	**$38,296**	**$38,296**	**$140,921**

What costs and functions are one-time?

Six project positions; three Office Assistants and three Customer Service Specialist 2s.

Staffing	FY12	FY13	11-13	13-15	Comments
Non-perm FTE	2.5	3.5	3.0	0.0	6 FTE starting Feb 1, 2012 through Jan 31, 2013
Permanent FTE	1.3	3.0	2.2	3.0	3 FTE starting Feb 1, 2012…ongoing
Indirect FTE	0.4	0.8	0.6	0.4	
Total:	**4.2**	**7.3**	**5.8**	**3.4**	

Which are ongoing? What are the budget impacts in future biennia?

There are three permanent Customer Service Specialist 2 positions and associated costs.

What is the relationship, if any, to the state capital budget?

None